Power Transmission and Distribution - Fit4 2010

Dr. Udo Niehage, Group President

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Disclaimer

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Electrical energy is the backbone of our society
PTD delivered what was promised

Key Financials: Improvement 2006 vs. 2005

- **PTD Profit**
  - 2005: 5.0%
  - 2006: 6.0%
  - H1 2007: 7.8%

  1) Group profit margin USGAAP
  2) Group profit margin IFRS

- **PTD Sales**
  - 2005: 2,000
  - 2006: 3,000
  - 2007: 4,000

- **PTD New Orders**
  - 2005: 500
  - 2006: 1,000
  - 2007: 1,500

  △ 2006 vs. 2005: +53%

  △ trailing 4 quarters: +52%

  △ 2006 vs. 2005: +84%
PTD group profit 2006 vs. 2005: +84%
New target margin until 2010: 7% - 10%

12 months trailing business volume

Key Financials

<table>
<thead>
<tr>
<th></th>
<th>FY06 (US GAAP)</th>
<th>Δ06 vs. 05</th>
<th>H1 07 (IFRS)</th>
<th>Δ07 vs. 06(^1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Orders(^2)</td>
<td>8,028</td>
<td>+52%</td>
<td>5,622</td>
<td>+32%</td>
</tr>
<tr>
<td>Sales</td>
<td>6,509</td>
<td>+53%</td>
<td>3,484</td>
<td>+18%</td>
</tr>
<tr>
<td>Group profit(^2)</td>
<td>390</td>
<td>+84%</td>
<td>273</td>
<td>+72%</td>
</tr>
<tr>
<td>as percentage of sales</td>
<td>6.0%</td>
<td></td>
<td>7.8%</td>
<td>---</td>
</tr>
<tr>
<td>ROCE</td>
<td>18%</td>
<td>---</td>
<td>31%</td>
<td>---</td>
</tr>
<tr>
<td>CCR(^3)</td>
<td>0.35</td>
<td>---</td>
<td>0.38</td>
<td>---</td>
</tr>
<tr>
<td>Employees</td>
<td>28</td>
<td>+6%</td>
<td>29</td>
<td>+11%</td>
</tr>
</tbody>
</table>

\(1\) comparable period \(2\) values in € m \(3\) cash conversion rate

Strong volume growth continues in first half of FY 2007; all divisions exceeded previous year bookings

Group profit margin improvement to 7.8% of sales in HY 2007

Significant ROCE improvement

CCR affected by growth effects, finalization of negative VA Tech projects and restructuring
PTD – Gaining significant market share

Market Share Development ¹)

<table>
<thead>
<tr>
<th>Year</th>
<th>Siemens</th>
<th>ABB</th>
<th>AREVA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>10%</td>
<td>8%</td>
<td>10%</td>
</tr>
<tr>
<td>2005</td>
<td>14%</td>
<td>16%</td>
<td>11%</td>
</tr>
<tr>
<td>2006</td>
<td>18%</td>
<td>20%</td>
<td>9%</td>
</tr>
</tbody>
</table>

2005: Siemens data with anticipated full FY VATech T&D

¹) Comparable portfolio

With double digit sales growth closing the gap to #1
## Leading market positions in nearly all businesses

<table>
<thead>
<tr>
<th>Divisions</th>
<th>High voltage (H)</th>
<th>Medium voltage (M)</th>
<th>Transformers (T)</th>
<th>Energy Automation (EA)</th>
<th>Services (SE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Components,</td>
<td>Components, switchgear and turnkey projects for power transmission &gt; 52kV</td>
<td>Components, switchgear and turnkey projects for power transmission ≤ 52kV</td>
<td>Power transformers up to 1,300 MVA and 765kV, distribution transformers with</td>
<td>Integrated control systems, protection and substation automation, telecontrol systems,</td>
<td>Network planning &amp; consulting, asset maintenance and maintenance management for</td>
</tr>
<tr>
<td>switchgear and</td>
<td>(AC and DC)</td>
<td>(AC and DC)</td>
<td>oil or cast-resin insulation</td>
<td>power quality</td>
<td>grids &amp; networks, metering services</td>
</tr>
<tr>
<td>turnkey projects</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>for power</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>transmission</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&gt; 52kV (AC and</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DC)</td>
<td></td>
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<td></td>
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</tbody>
</table>

### Market position

<table>
<thead>
<tr>
<th></th>
<th>#1</th>
<th>#2</th>
<th>#2</th>
<th>#1</th>
<th>#2</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Orders</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006 vs. 2005</td>
<td>&gt; 50 %</td>
<td>&gt; 20 %</td>
<td>&gt;100 %</td>
<td>&gt; 50 %</td>
<td>&gt; 40 %</td>
</tr>
</tbody>
</table>

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T&D Market and New orders trend
PTD grows faster than the market

<table>
<thead>
<tr>
<th>Region</th>
<th>T&amp;D Market FY 2005</th>
<th>T&amp;D Market FY 2010</th>
<th>PTD Target (New orders)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa / NME / CIS</td>
<td>€39 bn</td>
<td>€55 bn</td>
<td>€5.3 bn</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>16%</td>
<td>36%</td>
<td>18%</td>
</tr>
<tr>
<td>Americas</td>
<td>21%</td>
<td>21%</td>
<td>+16% p.a.</td>
</tr>
<tr>
<td>Rest of Europe (w/o Germany)</td>
<td>22%</td>
<td>20%</td>
<td>+7% p.a.</td>
</tr>
<tr>
<td>Germany</td>
<td>5%</td>
<td>4%</td>
<td>+1% p.a.</td>
</tr>
</tbody>
</table>

1) adjusted to PTD portfolio  2) Near and Middle East  3) Commonwealth of Independent States

FY 2005 FY 2010 FY 2005 FY 2010
T&D Market: Investments in transmission networks are expected to account for more than € 1,300 bn over the next 25 years

**Forecast transmission and distribution investment, 2003-30 (€ bn)**

- Transmission
- Distribution

**Implications**
- Differentiated regional strategies
- Balanced portfolio management
- Forecasting/trend & market scouting
- Operational excellence/flexibility
- Global footprint/resources management

**Attractive market environment for PTD is foreseen worldwide in emerging as well as in mature markets**

Source: IEA
Aging infrastructure drives demand for T&D investments in mature markets over the next years

Mature markets

Example USA

Average age of substations

Survey among 39 utilities in the US, 2006

Average age is 30 years

T&D investment in the US


Source: UBS
New opportunities: Siemens PTD is a driver of SmartGrid technologies

European Technology Platform “SmartGrids”
Vision and Strategy for Europe's Electricity Networks of the future

- Virtual power plants
- Load flow control
- Demand side management
- Blackout prevention
- Reliability centered asset management

Well-balanced portfolio in “traditional” T&D market

- **Formation & Leadership**
- **Operation 2003**
  - Divest:
    - Cable
    - Metering
  - Invest:
    - Trench
    - VA Tech
    - PTI
    - Marqott a.o.
- **Profit & Growth**
  - Common T&D Portfolio completed
  - Prepared to cope with new market challenges

### Financial Data

<table>
<thead>
<tr>
<th>Year</th>
<th>New Orders/Sales</th>
<th>Value (€ bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2003</td>
<td></td>
<td>3.6</td>
</tr>
<tr>
<td>FY 2006</td>
<td></td>
<td>8.0</td>
</tr>
<tr>
<td>FY 2006</td>
<td></td>
<td>6.5</td>
</tr>
<tr>
<td>H1 2007</td>
<td></td>
<td>5.6</td>
</tr>
<tr>
<td>H1 2007</td>
<td></td>
<td>3.5</td>
</tr>
<tr>
<td>FY 2010</td>
<td></td>
<td>8.0</td>
</tr>
<tr>
<td>FY 2010</td>
<td></td>
<td>6.5</td>
</tr>
<tr>
<td>FY 2010</td>
<td></td>
<td>7.8</td>
</tr>
</tbody>
</table>

Profit margin:
- FY 2003: 6.1%
- FY 2006: 6.0%
- H1 2007: 7.8%
- within new margin-corridor
Continuous improvement of cost position by expansion of value add in low-cost-countries

**Employees (thousands)**
- Americas: 17%
- Europe (incl. Germany): 56%
- Asia-Pacific: 30%
- Africa/NME\(^1\)/CIS\(^2\): 0%

**Sales (in € m)**
- Americas: 27.5
- Europe: 58
- Asia-Pacific: 35

**Manufacturing facilities**
- As of September 30, 2006
- As of September 30, 2003

**Regions**
- Americas
- Europe (incl. Germany)
- Asia-Pacific
- Africa/NME\(^1\)/CIS\(^2\)

1) Near and Middle East
2) Commonwealth of Independent States
Strengthening of our market position in Russia
Joint Venture Siemens AG / Elektrozavod OAO, Moscow

Strategic goals
- Regional market entrance with a leading T&D equipment manufacturer in Russia (Siemens owns 51% of J.V. shares)
- Strong market share gain
- Build up of engineering resources in Russia
- Establish PTD as T&D solution provider in Russia

Attractive Russian market
- Russian PTD market amounts to € 2.5 bn
- Attractive market growth of 8% p.a. due to:
  - Grid modernization and enforcement to prevent future blackouts ensure steady market growth
  - Ongoing investments in the individual segment, e.g. Oil&Gas and Metallurgy
Optimization of processes and resources  
Examples: Vacuum Interrupters, Berlin & Power Transformers, Jinan

<table>
<thead>
<tr>
<th>Berlin</th>
<th>Vacuum Interrupters</th>
<th>Jinan</th>
<th>Power Transformers</th>
</tr>
</thead>
</table>

**Productivity improvement**

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>FC 2007</th>
<th>$\Delta$ 05/07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interrupters</td>
<td>150.000</td>
<td>200.000</td>
<td>+33 %</td>
</tr>
<tr>
<td>Headcount</td>
<td>105</td>
<td>111</td>
<td>+6 %</td>
</tr>
<tr>
<td>Square meters$^{1)}$</td>
<td>7.800</td>
<td>7.800</td>
<td>+/- 0 %</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>FC 2007</th>
<th>$\Delta$ 05/07</th>
</tr>
</thead>
<tbody>
<tr>
<td>MVA</td>
<td>12.427</td>
<td>17.740</td>
<td>+43 %</td>
</tr>
<tr>
<td>Headcount</td>
<td>414</td>
<td>488</td>
<td>+18 %</td>
</tr>
<tr>
<td>Square meters$^{1)}$</td>
<td>8.600</td>
<td>12.000</td>
<td>+40 %</td>
</tr>
</tbody>
</table>

**Activities**

- Process optimization
- Implementation of 3-shift-operation
- Supplier development and technical support
- Development of Standard Design Platform
- Volume Growth Program
- PTD T productivity project

$^{1)}$ in production
New solutions driven by worldwide challenges

- Increasing demand for energy
- Urbanization
- Security of supply
- Climate change
- Open markets

- Utilization of renewable and distributed power generation
- Transmission of huge amount of energy via large distances
- Power distribution for urban areas and mega cities
- More flexible, efficient, reliable and secure grids
Utilization of renewable and distributed power generation: “Virtual Power Plants” for the efficient operation of distributed energy resources

The pooling of different power plants to one virtual unit allowed SaarEnergie to trade at the European Energy Exchange (EEX).
### HVDC PLUS
The cost effective smart HVDC-Solution for medium size application (< 1 GW)

<table>
<thead>
<tr>
<th>Supply of small islands</th>
<th>Connection of offshore wind farms to the power system</th>
<th>Substitution of overhead lines</th>
<th>Environmentally friendly decentralized generation</th>
<th>Supply of oil rigs (future)</th>
<th>Interconnections</th>
</tr>
</thead>
</table>

#### Remote power generation
- Remote loads

#### Advantages
- Lower losses
- No or small filter expenditure
Transmission of energy over long distances
Example: Remote hydro power in China

- HVDC with the world’s highest power capacity ever: 5,000 MW across 1,400km
- World’s first 800kV HVDC
- Order signed: 6/2007 from China Southern Power Grid
- Contract value: > € 300 m
- Enables use of hydro power from Yunnan in the Pearl River delta.

Enabled CO₂ abatement: 32,900,000 t/a
Distributed power generation and long distance transmission offer new market potential

HVDC – Remote hydro power in China:
- HVDC with the world's highest power capacity ever: 5000MW across 1400km
- World's first 800kV HVDC
- Order signed: 06/2007 with China Southern Power Grid; Contract value > € 300 m
- Enables use of hydro power from Yunnan in the Pearl River delta

HVDC Plus:
- Cost efficient connection for medium sized applications (<1 GW)
- Perfectly suited for connecting offshore wind farms, oil rigs and environmentally friendly decentralized generation
- Transmitting high energy quantities efficiently into urban areas/mega cities
Solutions for congested areas / Megacities

Gas Insulated Devices

- Significant space savings up to 90%
- Highest reliability
- Sealed from environmental influence
- Low maintenance costs

Gas Insulated Devices Example:

Big power for big cities with the "whispering transformer" for Con Edison, New York, (420 MVA, 345 kV) with a noise level of only 57 dB(A), i.e. 20 dB(A) less compared to standard design.

Low Noise Power Transformers
Reduction of pollution and noise emission
Example: On-shore power supply for ships

SIPLINK for power supply of ships in harbors to avoid the need for running the ship diesels.

- Will reduce engine fuel consumption
- Will cut SO$_2$ emissions
- Will reduce noise emissions
- Will support environmental responsibilities of cities
SIPLINK for the improvement of the power supply of oil rigs

Unique Siemens solution:

Improvement of:

- Power supply reliability
- Efficiency by turning off unneeded diesel generators
PTD's priorities to achieve **Fit4 2010** goals

- **Portfolio**
  - Further balance PTD's regional portfolio
  - Leverage the potentials of the industry segment, e.g. in oil & gas industry

- **Innovation**
  - Environmental care and climate protection with eco-friendly products and solutions
  - New products and solutions to cope with future challenges

- **Profitability**
  - Increase value added and purchasing in growth markets
  - Accomplish strong growth in the service business
  - Focus on processes and productivity improvements
Key take aways

- Extremely attractive market environment
- PTD clearly outpacing market growth
- Excellent performance, margins with further upside potential
- Well-balanced portfolio for „traditional“ T&D market and leading innovations for new T&D opportunities
- Clear focus on improving cash conversion and prudent capital spending

Our PTD Mission: Leading the T&D Industry
Reconciliations and definitions

"Group profit from Operations" is reconciled to "Income before income taxes" of Operations under "Reconciliation to financial statements" on the table "Segment information." See "Financial Publications/Quarterly Reports, FY07 Q2, Financial Statements" at our Investor Relations website under www.siemens.com.

ROE (Return on equity) margin for SFS was calculated as SFS' income before income taxes divided by the allocated equity for SFS. Allocated equity for SFS for the financial year 2007 is € 1.041 billion.

The allocated equity for SFS is determined and influenced by the respective credit ratings of the rating agencies and by the expected size and quality of its portfolio of leasing and factoring assets and equity investments and is determined annually. This allocation is designed to cover the risks of the underlying business and is in line with common credit risk management standards in banking. The actual risk profile of the SFS portfolio is monitored and controlled monthly and is evaluated against the allocated equity.

Siemens ties a portion of its executive incentive compensation to achieving economic value added (EVA) targets. EVA measures the profitability of a business (using Group profit for the Operating Groups and income before income taxes for the Financing and Real estate businesses as a base) against the additional cost of capital used to run a business, (using Net capital employed for the Operating Groups and risk-adjusted equity for the Financing and Real estate businesses as a base). A positive EVA means that a business has earned more than its cost of capital, and is therefore defined as value-creating. A negative EVA means that a business is earning less than its cost of capital and is therefore defined as value-destroying. Other organizations that use EVA may define and calculate EVA differently.

To measure Siemens' achievement of the goal to grow twice the rate of global GDP we use GDP on real basis (i.e. excluding inflation and currency translation effects) with data provided by Global Insight Inc. and compare those growth rates with growth rates of our revenue (under IFRS). In accordance with IFRS, our revenue numbers are not adjusted by inflation and currency translation effects.